

UNITED NATIONS
DEVELOPMENT
PROGRAMME



UNDP

Distributed on request
DP/PROJECTS/7267

ENGLISH

APPROVAL OF UNDP ASSISTANCE TO A PROJECT OF
PANAMA

IPF: (1987-91) \$4 446 000

(PAN/92/007) - Water and Sewage Institute Reform

Date of approval by the AC: ^{1/}	11 March 1992
Expected duration:	24 months
Proposed executing agency:	Government
Government implementing agency:	Ministry of Planning & Economic Policy
Third-party cost sharing:	\$ 2 330 100 Source of funds: IDB
Total UNDP budget:	\$ 2 330 100

Project background

The political crisis of 1988 in Panama had serious repercussions in the country's economic activities. Despite the economic reactivation policy adopted after the return to normality, Panama has been unable to regain the economic dynamism which had existed prior to the crisis. GNP growth in 1990 was 3.4 percent, a significant drop from the 5 percent achieved during the previous five years. There has been a heavy impact among low income sectors, expressed in an unemployment rate of 20 percent in 1991 (compared to an average of 12 percent the previous five years) and 50 percent of the population living under the poverty line. This situation has been compounded by a public sector which has committed large volumes of public revenues towards financing services of low quality and which constitute a particular problem for an economy structured around provision of services to the international community through the Panama Canal, the International Banking Center, the Free Trade Zone and the International Shipping Registry.

IDAAN, the "National Institute for Water and Sewage", was established in 1961 with the purpose of providing all water and sanitation services to communities over 500 inhabitants. In 1980 the overall coverage of water services and sanitation were 81 percent and 71 percent respectively. The Government of Panama aimed at increasing those values to 93 percent and 90 percent by 1990. The lack of adequate investments and the economic and political crisis of years 1987 to 1989, prevented those targets to be met and overall coverage of only 84 percent was reached.

The IDAAN Reform is a central point of the Programme for the Modernization of the State. In 1991 a consultancy was performed in order to develop a detailed "Action Plan" which this project is bound to implement.

^{1/} This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

UNDP assistance in the implementation of the RPSP will concentrate in providing support to the Co-ordinating Unit of the Economic Program. Although this Unit will serve as implementing agency under the modality of National Execution, it is important to stress that (US)\$ 7,654,300 (or nearly 75.0 percent) of the total UNDP budget will be executed in the form of subcontracts.

Presently, the Government has requested UNDP technical assistance for the implementation phase of the Reform of the Public Sector Programme in four sectors: (1) telecommunications; (2) ports; (3) electricity; and (4) water and sewage.

Description of project

The immediate objective of the project is to strengthen the National Water Supply and Sewage Institute (IDAAN). Project activities will include: (i) fostering change in IDAAN's administrative and organizational structure in order to improve its levels of efficiency; (ii) strengthening IDAAN's capacity to face environmental problems related to the water and sewage sector; (iii) strengthening IDAAN's capacity in the areas of commercialization and financial management; and (iv) obtaining the documents needed to finance projects aimed at improving IDAAN's delivery of services.

At the end of the programme period, the project will have strengthened the operational capacity (delivery of services) of the National Water Supply and Sewage Institute.

Inputs

UNDP will provide one work-month for an international engineering expert, one work-month for an international economist; two subcontracts in the fields of institutional strengthening and financial consulting; and miscellaneous costs.

Financial data

	\$
Personnel	24 000
Subcontract	2 079 300
Miscellaneous	226 800
Total	<u>2 330 100</u>

- - - - -